1969 Annual Report

The Steel Company of Canada, Limited

stelco

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THE COVER

Published for the first time in this Annual Report, Stelco's new trademark appears on the cover against a background of the Company's new primary colour. These innovations are the central features of a recently adopted corporate identity program that, over a period of time, will lead to the use of more colour on Company buildings and vehicles, and provide greater consistency in the design of signs, printed matter, and the labelling and packaging of Stelco products.

TRANSFER AGENT

MONTREAL TRUST COMPANY

Toronto, Montreal, Halifax,
Winnipeg, Regina, Edmonton, Vancouver

REGISTRAR

THE ROYAL TRUST COMPANY

Toronto, Montreal, Halifax,
Winnipeg, Regina, Edmonton, Vancouver

Pour obtenir un exemplaire de la version française de ce rapport, veuillez écrire au secrétaire,
The Steel Company of Canada, Limited,
P.O. Box 205, Toronto-Dominion Centre,
Toronto 111, Ontario.

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THE STEEL COMPANY OF CANADA, LIMITED

PROCEEDINGS AT THE ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

MONDAY, APRIL 21, 1969

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THE STEEL COMPANY OF CANADA, LIMITED

The following is a summary of the business transacted at the Annual and Special General Meeting of Shareholders held at Toronto, Canada, on April 21, 1969.

Mr. H. M. Griffith, President and Chief Executive Officer, was Chairman of the meeting and Mr. J. W. Younger, Secretary of the Company, was Secretary.

The Chairman reported that 75% of the shares outstanding were represented at the meeting either in person or by proxy.

The minutes of the Annual and Special General Meeting of Shareholders held April 22, 1968 were approved.

The Directors' report to the shareholders and the financial statements for the year 1968 were approved and adopted.

The following Directors were elected:

W. Herman Browne
Alistair M. Campbell
J. Douglas Gibson, O.B.E.
J. Roy Gordon

Allan Graydon, Q.C.
H. M. Griffith
G. Arnold Hart, M.B.E.
The Hon. Ernest C. Manning, P.C.
Frederick C. Mannix
D. R. McMaster, Q.C.
Lucien G. Rolland
V. W. Scully, C.M.G.
H. Greville Smith, C.B.E.
Henry G. Thode, C.C., Ph.D., F.R.S.
William H. Young

With regret the Chairman noted the resignation on February 17, 1969 of two members of the Board of Directors — Mr. Harold S. Foley and Mr. J. D. Campbell.

Riddell, Stead & Co. were appointed auditors for the ensuing year.

A By-Law to change the location of the head office of the Company from the City of Hamilton to the Municipality of Metropolitan Toronto was sanctioned and confirmed.

Shareholders also sanctioned and confirmed a By-Law to repeal the existing borrowing By-Law of the Company and substitute a re-

(f) to receive the Annual Report of

vised borrowing By-Law designed to comply with the Quebec Special Corporate Powers Act.

After the shareholders' meeting, the Directors met and elected and appointed officers as follows:

V. W. Scully
Chairman of the Board

H. M. Griffith
President and Chief Executive Officer

H. J. Clawson
Vice-President, Personnel

N. J. Brown
Vice-President and Comptroller

R. B. Taylor
Vice-President and Treasurer

A. D. Fisher
Vice-President, Planning, Engineering and Research

J. P. Gordon
Vice-President, Operating

A. R. McMurrich
Vice-President, Marketing

J. W. Younger
Secretary

W. C. Chick, R. E. Karr
Assistant Comptrollers

B. M. Kinnear
Assistant Treasurer

R. F. Booth
Assistant Secretary

The Vice-Presidents appointed by the Chief Executive Officer are as follows:

L. H. Doering
Eastern Region

A. J. Harris, S. W. McDermott
Manufacturing

J. D. Allan, K. B. MacNaughton
Sales

ADDRESS BY H. M. GRIFFITH, President

The year 1968 was, in most respects, the most successful in your Company's 59-year history. Full information has been provided to you in the Annual Report and I am sure you would not wish me to dwell at length on the Company's performance in the past year.

Therefore, I will just emphasize a few special features.

1. During the year we began to realize additional profit as a result of the substantial investments that have been made in recent years in new plant and equipment. Further benefits will result as our work force becomes more experienced in the operation of these facilities and as we develop better methods and practices.
2. Improvements in our marketing procedures and customer services have materially contributed to the maintenance of the Company's position in the industry, assuring reasonable stability in volume and satisfactory operating rates in most of the plants.

3. Especially I should mention that the strong demand for large diameter pipe was met on schedule, fully justifying the investment in our two specialty pipe mills at Welland, Ontario and Camrose, Alberta, and the installation of the new plate mill. These units made a significant contribution to earnings last year and will be an important source of income in the future.

4. Your Directors recognized during the year that the profits would fully justify an increase in dividends and so the dividend rate was increased twice, first in June and again in December, bringing the new rate to $1.20 per share from 85 cents, an increase of 41%.

So much for 1968.

Planning for the future is a constant exercise in a dynamic industry. Before a program-in-work reaches completion, the next stage of development must be studied, engineered and financing planned.

Over the five years to 1973 we expect our present steelmaking capacity of 4¾ million tons of raw steel to reach 6 million tons.

(1) to receive the Annual Report of

To achieve this increase, your Directors in February approved the installation at Hilton Works of three basic oxygen furnaces and a new bloom and billet mill. The combined cost of these units, which will come into use in 1971, will be slightly over $100 million.

The basic oxygen furnaces will replace the present No. 2 open hearth shop which has been operating since 1916. This shop, improved many times, has served the Company well but is no longer an efficient, economical unit. Basic oxygen furnaces of the latest and most modern design will provide additional steelmaking capacity and savings in operating costs.

These furnaces require a much higher proportion of hot metal (pig iron) than do open hearth furnaces, and until our new No. 5 blast furnace and the related coke ovens were built, basic oxygen steelmaking could not be adopted. Our No. 3 open hearth department, one of the most efficient in the world, is still competitive and should remain so for many years.

A new bloom and billet mill is urgently needed. Billets are used in

the manufacture of rods and bars for sale and for further processing into the finished products of our fabricating plants. We have been purchasing billets as well as slabs in quantity for some time and, with the indicated growth in demand, additional production capacity is now essential to enable us to retain our market for rod and bar products. The new bloom and billet mill will also permit us to use our existing mill for the production of additional steel slabs required to meet the increasing demand for flat rolled products.

The basic oxygen furnaces and the bloom and billet mill are the major installations to be undertaken at Hilton Works in the next two years. Improvements and additions to existing facilities are also planned, including the probable addition of a third tinning line.

Other principal developments being planned for the five-year period will take place mainly at the Lake Erie site.

The Lake Erie property was acquired to provide adequate space for long-term expansion. Steelmaking and related facilities will be built at this location as market

conditions and needs dictate. Of necessity, there will be the closest co-ordination between the use of the plant at Hilton Works and that at the new site. The first installation, as already announced, will be an 80″ hot strip mill which we expect to complete in four to five years. The hot strip mill, used for converting steel slabs into sheet coils, is a large and complex unit which, in keeping with the latest technical advances, will be highly automated. Engineering and planning for this new mill are in progress. Although it is likely that this will be the only major unit to be completed at Lake Erie in the next five years, market conditions may also require a start being made on the installation of cold rolling and steelmaking equipment within the period.

While completion of these developments will require very large sums of money, the greater part of the expenditure is not expected to be made until 1970 or later. For the next year or so the Company's own cash resources, supplemented as necessary by temporary bank loans, appear to be quite adequate. Later on it may be appropriate to seek additional long-term funds

by the use of debentures or other suitable instruments.

Plans for the future are based on the expectation that the consumption of steel in Canada will about double between 1968 and 1980, and also on the assumption that adverse economic conditions will not occur to discourage or inhibit productive investment and growth. In this respect, our two greatest concerns are with inflationary cost increases and rising taxes. Labour costs in Canada have gone up sharply in the past few years and the costs of many materials and services have followed. The cost of money itself has become excessive. Unless these costs can be contained in the future at a level that will permit industry to maintain competetive prices and earn reasonable profits, we shall have stagnation instead of sustained growth.

Our plans, short and long-term, are dependent upon our ability to maintain operating costs and construction costs at economic levels. They are also dependent on the continuation, generally, of existing taxation policies or at least policies that will not impose additional

financial burdens. If these conditions change unfavourably, our projections will have to be reappraised and plans modified accordingly. We try to maintain the utmost flexibility in our expansion programs and refrain from making actual commitments on approved large-scale projects when we are faced with serious uncertainties.

The upcoming negotiations for new labour agreements are of significance in this respect. Our main contracts expire July 31 and preliminary discussions with the Union's representatives for the determination of new agreements are now under way. We sincerely hope that mutually acceptable terms can be obtained and the vital interests of all concerned, in maintaining steady employment at good wages as well as a profitable and expanding organization, will not be impaired. For the present, we are deferring major new construction commitments pending the outcome of negotiations in the construction industry as well as in our own.

The new taxes imposed on business by the Province of Ontario are further deterrents to industrial growth. In particular, the exten-

sion of the 5% sales tax to production equipment is a backward step which will increase both manufacturing and capital costs. It is to be hoped that the proposals for tax reform to be issued by the Federal Government in a white paper will be designed to encourage rather than discourage a continuation of the high level of business investment so essential in a developing country such as Canada.

The present tax laws have been of major importance to the successsful development of Stelco's Canadian mining interests over the past 12 years. They have also been of very real benefit to regional development, especially in remote areas, and to the economy generally. If the incentive provisions are withdrawn or modified in any important way, our future programs and, I am sure, the programs of other companies, will have to be re-examined and undoubtedly changed radically as a result.

A summary of results for the first quarter of the year will be mailed to shareholders in the usual form at the end of the month. While sales and production were

higher than in the corresponding period last year, there has been some reduction in the level of earnings and this is a direct reflection, among other things, of the increases which have taken place in the past twelve months in employment and other costs. The trend, as I have already indicated, is disturbing.

The volume of incoming busi-iness is at a high level and the outlook for the second quarter is quite good. At this time, prospects for the second half of the year also appear favourable although the uncertainties of labour negotiations make the business of forecasting more difficult than usual.

I shall conclude by saying your Directors are most appreciative of the splendid support they have continuously received from the Company's shareholders, customers, and indeed the whole community that comprises the Stelco family.

year ended December 31, 1968

(2) to elect Directors;

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THE STEEL COMPANY OF CANADA, LIMITED

NOTICE OF THE ANNUAL AND A SPECIAL GENERAL MEETING

Notice is hereby given that the Annual and a Special General Meeting of the Shareholders of The Steel Company of Canada, Limited will be held at the Cinema Theatre in the Concourse of the Toronto-Dominion Centre, Bay Street Entrance, in the City of Toronto, Ontario, at the hour of 10:30 a.m., Eastern standard time, on Monday, April 21, 1969 for the following purposes:

(1) to receive the Annual Report of the Directors to the Shareholders and the Financial Statements for the year ended December 31, 1968;

(2) to elect Directors;

(3) to appoint Auditors;

(4) to consider and, if deemed advisable, to sanction and confirm By-law No. 24, being a by-law to amend By-law No. 15 to change the location of the head office of the Company from the City of Hamilton in the Province of Ontario to the Municipality of Metropolitan Toronto in the Province of Ontario;

(5) to consider and, if deemed advisable, to sanction and confirm By-law No. 25, being a new borrowing by-law of the Company;

(6) to transact such other business as may properly be brought before the meeting.

Proxies must be delivered to the Secretary of the Company not later than 11:00 a.m., Eastern standard time, on April 18, 1969.

Dated at Hamilton this 6th day of March, 1969.

By order of the Board of Directors,
J. W. Younger,
Secretary.

IMPORTANT

It is desirable that as many shares as possible be represented at the meeting. If you do not expect to attend, and would like your shares represented, please sign the enclosed proxy and return it as soon as possible in the envelope provided.

INFORMATION CIRCULAR

Revocability of Proxy.

A shareholder who has given a proxy may revoke it by executing either a proxy bearing a later date or a written notice of revocation and delivering the same to the Secretary of the Company.

Persons or Companies Making the Solicitation.

This solicitation of proxies is made on behalf of the management of The Steel Company of Canada, Limited (hereinafter called "the Company") for use at the Annual and a Special General Meeting of the Shareholders of the Company to be held on April 21, 1969 (hereinafter called "the Meeting") and at every adjournment thereof. The cost of solicitation will be borne by the Company.

Interest of Certain Persons and Companies in Matters to be Acted Upon.

The management of the Company is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise of any Director or senior officer of the Company, any proposed nominee for election as a Director of the Company or any associate of any such person in any matter to be acted upon at the Meeting other than the election of Directors.

Voting Shares and Principal Holders Thereof.

On February 17, 1969 there were outstanding 24,331,347 common shares of the Company, all of which, together with any additional shares which may be issued by April 21, 1969, are entitled to be voted at the Meeting. Each shareholder is entitled to one vote for each share of common stock registered in his name at the date of the Meeting. Neither the Directors nor senior officers of the Company know of any person or company owning, directly or indirectly, equity shares carrying more than 10% of the voting rights attached to all equity shares of the Company.

Election of Directors.

The affairs of the Company are managed by a Board of fifteen Directors who are elected annually at each Annual Meeting of Shareholders to hold office until the next Annual Meeting and until their successors shall have been duly elected. The following table sets out the name of each of the persons proposed to be nominated for election as a Director; his principal occupation at present and during the preceding five years; all positions and offices in the Company held by him; the year in which he was first elected a Director; and the approximate number of shares of the Company that he has advised are beneficially owned by him, directly or indirectly, as of February 17, 1969. Each of such persons now is a Director and has served continuously in that capacity since his first election.

Name	Principal Occupation	Director since	Approximate number of shares owned as of February 17, 1969
*W. Herman Browne	Chairman of the Board, Moore Corporation, Limited (business forms) since 1967 and previously President of that company	1965	100
*Alistair M. Campbell	President, Sun Life Assurance Company of Canada (life insurance)	1967	600
*J. Douglas Gibson, O.B.E.	Financial and Economic Consultant since 1965, Executive Vice-President and Deputy Chairman of Bank of Nova Scotia (banking) 1964 to 1965 and previously Chief General Manager of that bank	1968	700
J. Roy Gordon	Industrialist, member of the Executive Committee and Director, The International Nickel Company of Canada, Ltd., Chairman of the Executive Committee 1960 to 1968 and previously in addition President of that company	1961	1,000
*Allan Graydon, Q.C.	Counsel, Messrs. Blake, Cassels & Graydon, Barristers & Solicitors, since 1967 and previously a partner of that firm	1955	580
*H. M. Griffith	President and Chief Executive Officer of the Company since 1968, President 1966 to 1968 and previously Executive Vice-President	1960	6,698
G. Arnold Hart, M.B.E.	Chairman of the Board, Bank of Montreal (banking) since 1967, Chairman and President 1964 to 1967 and prior to 1964, President and throughout the whole of the period Chief Executive Officer of that bank	1959	100
The Hon. Ernest C. Manning, P.C.	President, M & M Systems Research Ltd. (consultants) since 1968 and previously Premier of the Province of Alberta	1969	10
Frederick C. Mannix	Chairman of the Board, Loram Ltd. (management services)	1967	200
*D. R. McMaster, Q.C.	Partner, Messrs. McMaster, Meighen, Minnion, Patch & Cordeau, Barristers & Solicitors since 1967 and previously in predecessor partnership Messrs. Holden, Hutchison, Cliff, McMaster, Meighen & Minnion	1962	54,736
L. G. Rolland	President & General Manager, Rolland Paper Company, Limited (paper products)	1963	100

THE STEEL COMPANY OF CANADA, LIMITED

BY-LAW NO. 24

A By-law to Change the Location of the Head Office

BE IT ENACTED as a by-law of The Steel Company of Canada, Limited that the location of the head office of the Company be and the same is hereby changed from the City of Hamilton in the Province of Ontario to the Municipality of Metropolitan Toronto in the Province of Ontario.

PASSED and ENACTED this 16th day of December, 1968.

BY-LAW NO. 25

A By-law Respecting the Borrowing of Money, the Issuing of Securities and the Securing of Liabilities

BE IT ENACTED as a by-law of the Company as follows:

1. The directors of the Company may from time to time:

   (a) borrow money upon the credit of the Company in such amounts and upon such terms as the directors may deem expedient;

   (b) issue bonds, debentures, debenture stock or other securities of the Company in such amounts and upon such terms and pledge or sell the same for such sums and at such prices as the directors may deem expedient;

   (c) secure any such bonds, debentures, debenture stock or other securities, or any other present or future borrowing or liability of the Company, by mortgage, hypothec, charge or pledge of all or any currently owned or subsequently acquired real and personal, movable and immovable, property of the Company, and the undertaking and rights of the Company;

   (d) delegate to such one or more of the officers and directors of the Company as may be designated by the directors all or any of the powers conferred by the foregoing clauses of this by-law to such extent and in such manner as the directors shall determine at the time of each such delegation.

2. This by-law shall come into effect on the day it is confirmed by the shareholders and, effective the same day, By-law No. 16 is repealed.

PASSED and ENACTED this 17th day of February, 1969.

Name	Principal Occupation	Director since	Approximate number of shares owned as of February 17, 1969
*V. W. Scully, C.M.G.	Chairman of the Board of the Company since 1968, Chairman and Chief Executive Officer 1966 to 1968 and previously President	1956	600
H. Greville Smith, C.B.E.	President, Canadian International Investment Trust Limited (investments)	1959	3,000
Henry G. Thode, C.C., Ph.D., F.R.S.	President and Vice-Chancellor, McMaster University	1969	100
William H. Young	President and General Manager, The Hamilton Cotton Co., Ltd. (textiles)	1967	500

**Remuneration of Management and Others.*Member of the Executive Committee.*

Remuneration of Management and Others.

The following information is furnished as to the remuneration of management and others:

(1) Aggregate direct remuneration paid or payable by the Company and its subsidiaries to the Directors and senior officers of the Company during the last completed financial year of the Company: $1,069,988

(2) Estimated aggregate cost to the Company and its subsidiaries in the last completed financial year of the Company of all pension benefits proposed to be paid to Directors and senior officers of the Company under the Company's Contributory Retirement Plan in the event of retirement at normal retirement age: $148,233

No pension benefits are proposed to be paid by the Company to any Director who is not also an officer of the Company.

(3) Aggregate of all remuneration payments other than items (1) and (2) above made during the last completed financial year of the Company and proposed to be made in the future, directly or indirectly, by the Company or its subsidiaries pursuant to any existing plan or arrangement to each person referred to in item (2) above: Nil

(4) Since the commencement of the last completed financial year of the Company, the Directors and senior officers of the Company have been granted options to purchase common shares of the Company as follows:

Common shares optioned	Date of grant	Price per share	Expiration Date	Price Range January 13, 1968 to February 12, 1968 High	Low
58,000	February 12, 1968	$18.75	February 12, 1978	$20⅝	$18⅜

and have exercised options to purchase common shares of the Company as follows:

Common shares purchased	Date of purchase	Purchase Price per share	Price Range January 14, 1969 to February 13, 1969 High	Low
1,000	February 14, 1969	$18.75	$27¾	$25½

Interest of Management and Others in Material Transactions.

The management of the Company is not aware of any material interest, direct or indirect, of any Director or senior officer of the Company, any proposed nominee for election as a Director of the Company, or any

associate or affiliate of any such person in any transaction since the commencement of the last completed financial year of the Company or in any proposed transaction which in either case has materially affected or will materially affect the Company or any of its subsidiaries.

Appointment of Auditors.

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Riddell, Stead & Co., Chartered Accountants, as auditors of the Company to hold office until the next Annual Meeting of Shareholders. Riddell, Stead & Co. have been auditors of the Company for more than five years.

Other Business.

There will be presented to the Meeting for sanction and confirmation By-laws Nos. 24 and 25 of the Company. By-law No. 24 is a by-law to amend By-law No. 15 by changing the location of the head office from the City of Hamilton to the Municipality of Metropolitan Toronto. By-law No. 25 is a by-law respecting the borrowing of money, the issuing of securities and the securing of liabilities by the Company which repeals By-law No. 16 the existing borrowing by-law of the Company and substitutes therefor a revised borrowing by-law designed to comply with the Quebec Special Corporate Powers Act.

General.

The persons named in the enclosed form of proxy are Directors of the Company. **A shareholder has the right to appoint any other shareholder to represent him at the Meeting instead of the persons designated in the enclosed form of proxy** and may do so either by inserting such person's name in the blank space provided in such form and deleting the names printed in such form or by completing another proper form of proxy and, in either case, delivering such proxy to the Secretary of the Company.

Shares represented by properly executed proxies in favour of the persons designated in the enclosed form will be voted. **Such shares will be voted for the election as Directors of the persons designated in this Information Circular as nominees for such office.** The management of the Company does not contemplate that any of the proposed nominees will be unable to serve as a Director but, in the event that a proposed nominee does not stand for election or is unable to serve, proxies may be voted for another nominee designated by the Board of Directors. Where the shareholder executing such proxy specifies a choice with respect to any matter to be acted upon at the Meeting other than the election of Directors and the appointment of auditors, such shares will be voted in accordance with any specification so made. In the absence of such specification, **such shares will be voted for the approval and adoption of the annual report of the Directors to the shareholders and the financial statements for the year ended December 31, 1968, and for the sanction and confirmation of By-laws Nos. 24 and 25.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and other matters which may properly come before the Meeting. At the date of this Information Circular, the management of the Company is not aware that any such amendments, variations or other matters are to be presented for action at the Meeting.

An instrument appointing a proxy to represent a shareholder at the Meeting shall not be valid or acted upon unless it appoints a shareholder of the Company entitled to attend and vote at such meeting and is made in writing and delivered to the Secretary of the Company not later than 11:00 a.m., Eastern standard time, on April 18, 1969.

Hamilton, Ontario

As of February 17, 1969.

By order of the Board of Directors,

J. W. Younger,
Secretary.

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SIXTIETH ANNUAL REPORT

for the year ended December 31, 1969

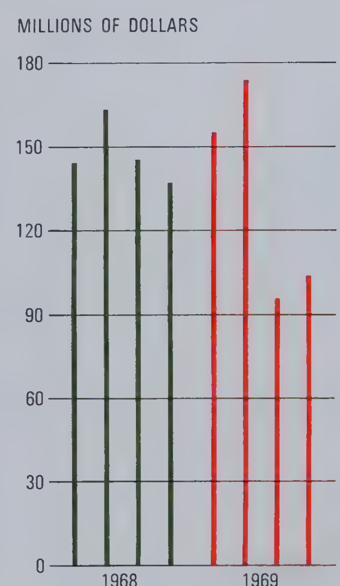
THE STEEL COMPANY OF CANADA, LIMITED

Toronto 111, Ontario

ANNUAL MEETING

The Annual Meeting of the Shareholders of the Company will be held at the Cinema Theatre in the Concourse of the Toronto-Dominion Centre, Bay Street Entrance, in Toronto, at 10:30 a.m., Eastern standard time, on Monday, April 20, 1970.

THE YEAR IN BRIEF	**1969**	1968
Sales	**$528,036,448**	$589,612,742
Net profit	**$ 31,069,668**	$ 67,971,231
Per cent of sales	**5.9%**	11.5%
Per share	**$1.28**	$2.79
Dividends declared	**$ 29,201,217**	$ 24,329,297
Per share	**$1.20**	$1.00
Taxes — income and all other	**$ 37,001,589**	$ 46,414,572
Per share	**$1.52**	$1.91
New investment — plants and raw material properties	**$ 33,344,326**	$ 33,498,324
Depreciation	**$ 33,415,417**	$ 37,110,642
Materials and services bought and used	**$253,998,000**	$253,179,000
Total employment costs	**$176,222,758**	$186,948,273
Working capital, year end	**$176,509,927**	$175,810,479
Raw steel produced — net tons	**3,669,742**	4,484,635
Average number of employees	**21,792**	21,584
Number of shareholders, year end	**51,730**	52,520
Number of shares outstanding, year end	**24,335,347**	24,330,347



Sales by Quarters

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DIRECTORS

*W. Herman Browne, Toronto	*Chairman of the Board, Moore Corporation, Limited*
*Alistair M. Campbell, Montreal	*Chairman and Chief Executive Officer, Sun Life Assurance Company of Canada*
*J. Douglas Gibson, O.B.E., Toronto	*Financial and Economic Consultant*
J. Roy Gordon, New York	*Industrialist*
*Allan Graydon, Q.C., Toronto	*Counsel, Messrs. Blake, Cassels & Graydon, Barristers & Solicitors*
*H. M. Griffith, Toronto	*President and Chief Executive Officer of the Company*
G. Arnold Hart, M.B.E., Montreal	*Chairman of the Board and Chief Executive Officer, Bank of Montreal*
The Hon. Ernest C. Manning, P.C., C.C., Edmonton	*President, M & M Systems Research Ltd.*
Frederick C. Mannix, Calgary	*Director, Loram Ltd.*
*D. R. McMaster, Q.C., Montreal	*Partner, Messrs. McMaster, Meighen, Minnion, Patch & Cordeau, Barristers & Solicitors*
Lucien G. Rolland, Montreal	*President and General Manager, Rolland Paper Company, Limited*
*V. W. Scully, C.M.G., Toronto	*Chairman of the Board of the Company*
H. Greville Smith, C.B.E., Montreal	*President, Canadian International Investment Trust Limited*
Henry G. Thode, C.C., Ph.D., F.R.S., Hamilton	*President and Vice-Chancellor, McMaster University*
William H. Young, Hamilton	*President and General Manager, The Hamilton Cotton Co., Ltd.*

**Member of the Executive Committee*

EXECUTIVE OFFICERS

V. W. Scully	*Chairman of the Board*
H. M. Griffith	*President and Chief Executive Officer*
J. P. Gordon	*Senior Vice-President*
H. J. Clawson	*Vice-President, Personnel*
N. J. Brown	*Vice-President and Comptroller*
R. B. Taylor	*Vice-President and Treasurer*
A. D. Fisher	*Vice-President, Facilities Planning, Engineering and Research*
A. R. McMurrich	*Vice-President, Marketing*
G. H. G. Layt	*Vice-President, Operating*
J. W. Younger, Q.C.	*Secretary*

VICE-PRESIDENTS

J. D. Allan	*Vice-President, Corporate Planning*
L. H. Doering	*Vice-President, Eastern Region*
A. J. Harris	*Vice-President, Manufacturing*
K. B. MacNaughton	*Vice-President, Sales*
S. W. McDermott	*Vice-President, Manufacturing*

DIRECTORS' REPORT

TO THE SHAREHOLDERS OF
THE STEEL COMPANY OF CANADA,
LIMITED:

The Board of Directors submits herewith the Annual Report of your Company and its subsidiaries, together with the consolidated statement of financial position and related financial statements for the year ended December 31, 1969, and the report of your auditors.

A strong demand for steel existed at the beginning of 1969 and your Company's production and sales in the first seven months were higher than in the corresponding months of 1968, although earnings were lower. The heavy demand was due in part to the desire of customers to build up their inventories in advance of a possible steel strike.

The three-year labour contracts with the United Steelworkers expired July 31, 1969, and notwithstanding concerted efforts by the union bargaining committee and the Company to reach an agreement, the union members at Hilton Works and most of the Ontario plants went out on strike on August 1. They were joined on August 16 by the employees of the Quebec plants. The work stoppage continued until October 19 at Hilton Works and October 20 at the other works. The pellet plant at Pointe Noire and the Scully Mine in Labrador were also closed as a result of a strike which lasted from May to September.

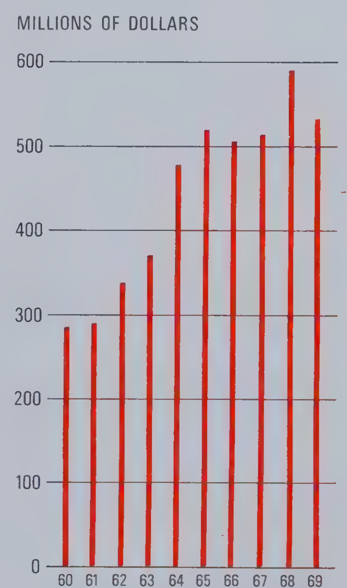
There was no production at these plants during the strike period and this was the primary reason for the sharp fall in earnings in 1969. Essential services were maintained by supervisory staff and other non-union employees and these efforts greatly facilitated the resumption of normal operations when the strikes ended. Good production levels were achieved in November and December.

The agreements which concluded the strikes resulted in substantially increased labour costs. The very large amount of these increases, added to those already incurred in other areas, far exceeded any economies attainable through improvements in productivity. Thus, faced with a serious deterioration in an already unsatisfactory return on investment, the Company raised the prices of many of its products. An increase of approximately 6% in the prices of various forms of flat rolled steel was followed by a Federal Government request for a fact-finding study by the Prices and Incomes Commission of price, wage and other cost increases in the Canadian steel industry. Your Company cooperated fully in the investigation. At the date of this Report the Commission has not published its findings.

PRODUCTION AND SALES

Raw steel production was 3,669,742 tons, a reduction of 18.2% compared with the record 4,484,635 tons produced in 1968. Apart from the strike period and the ensuing few weeks when operating levels were being restored, high rates of activity were maintained in most departments and plants, and substantial purchases of semi-finished steel were required to fill the heavy volume of orders.

The pipe manufacturing plants at Welland and Camrose, the Canadian Drawn Works in Hamilton and the Premier plants in Edmonton, operated throughout the year, but output declined in some departments as steel supplies were used up. The collective labour agreements at these plants did not expire at the same time as the agreements at the plants closed by the strikes. Because



Sales, 1960 — 1969

of reduced demand for line pipe the large diameter pipe mills operated for fewer turns in 1969 than in 1968.

Sales totalled $528,036,448 compared with $589,612,742 in the previous year, a reduction of 10.4%. Prior to the strike, shipments were exceeding the record level established in 1968, but in the two months which followed the resumption of operations, the rate of shipments was affected by the need to restore balanced process inventories throughout the production system. At the same time, some customers continued to obtain their steel elsewhere under commitments entered into during the strike period.

Because of the work stoppages, export sales in the second half of the year were severely restricted. Subject to the needs of Canadian customers, special efforts are being made to maintain the position Stelco has established in the export market.

PROFITS

Net profit for the year was $31,069,668 or $1.28 a share compared with $67,971,231 or $2.79 a share in 1968. The ratios of net profit to sales and to shareholders' equity were reduced to 5.9% and 6.1% respectively, compared with 11.5% and 14.1% in 1968.

The strikes at the various plants and mining operations were, of course, the main factor underlying the sharply reduced earnings level. A less profitable mix of products sold, premiums paid for purchased steel and continuing increases in the cost of labour, services and supplies also contributed to the decline. A further adverse element, which increased the effective rate of income tax in 1969, was the conclusion on March 31 of the tax exempt period for income from the Scully Mine. While the start of a similar period for the Griffith Mine has been assumed, the actual commencement date has not been determined.

The provision for depreciation amounted to $33,415,417 compared with $37,110,642 in 1968. The Company's basis for computing the provision for depreciation recognizes variations in the level of operations and reduced operations in 1969 are the principal reason for the decrease in the provision.

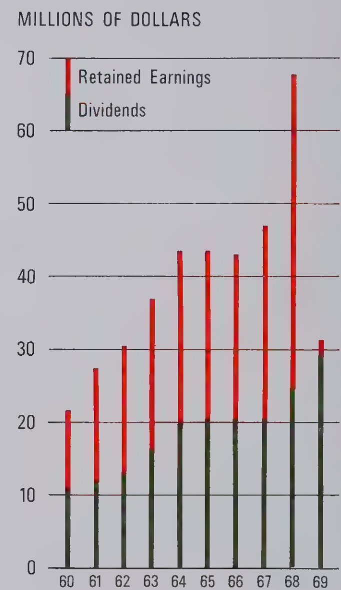
COSTS AND PRICES

For many years your Company has been successful in stabilizing the prices of its products. From 1957 to 1964 the minor adjustments and pricing accommodations that were made had the effect of reducing slightly the average price obtained for rolled steel products, and changes introduced up to the end of 1968 resulted in an average price only 3½% above the 1957 level. During this period there had been marked improvements in steel quality and steel products, and the customer was receiving better value for his dollar in 1968 than he was in 1957.

In all this time, too, costs were rising. There was an increase in labour costs every year and the prices of most other items of supply and expense followed the upward trend. Only fluctuations in the price of steel scrap, which reacts sharply to changes in market demand, were at times of help as an offset to the advances in other costs. At other times, such as the present, rising scrap prices have added to the increase in production costs.

One of the Company's principal objectives has always been to do whatever is possible to offset increases in production costs by improving the efficiency of its operations and increasing the volume of production. This has required massive investment in new plant and processes. The amount of capital employed in the business has more than tripled in the last twelve years. Despite the gains in efficiency and productivity that have resulted from these investments, it has been impossible to counter the never-ending and, in later years, accelerating increase in costs. For a period prior to 1968, earnings remained relatively static while investment mounted — profit margins were falling as costs rose. In 1968, earnings showed a long-awaited improvement, but this largely reflected an unusually favourable period in which certain temporary factors enhanced the benefits accruing from large investments made in prior years. When these favourable influences declined in 1969 the serious underlying erosion of profits became apparent.

The circumstances, and concern for the Company's future progress and growth, dictated that selling prices, which were well below corresponding prices in the United States, should be raised, and moderate adjustments were introduced for certain products in the second quarter of 1969. However, these were not sufficient to offset the overall advances in costs, and with the conclusion in October of new labour agreements which resulted in adding $26,000,000 to employment costs in the first year, $40,000,000 in the second and $52,000,000 in the third year of the contract, a more general adjustment



Net Profits and Dividends, 1960 — 1969

Return on Sales and Shareholders' Equity, 1960 — 1969

of selling prices became necessary. After careful study of the relevant cost and market factors, increased prices were announced, first for flat rolled products and then for rod and bar products, including many of the products of the fabricating plants. The adjustments represent an average advance of approximately 6% in the prices of these products.

The new prices are still below the prices of equivalent products in the United States, and represent an increase of less than 12% over a twelve-year period during which the Canadian wholesale and consumer price indices have risen approximately 26% and 34%, respectively. Your Directors feel that this record is to be commended rather than condemned and that the criticism which greeted the announcement of steel price increases was unjustified. It seems particularly inappropriate that a company which has succeeded for so long in absorbing the impact of inflationary cost pressures should be investigated when it is finally compelled to take protective measures without which its power to improve productivity through continuing substantial capital investment would be greatly prejudiced.

DIVIDENDS

The quarterly dividend rate of 30 cents a share established in the fourth quarter of 1968 was maintained throughout the year. The total declaration of $1.20 a share for the year amounted to $29,201,217, compared with $1.00 a share and $24,329,297 in 1968.

For income tax purposes, Canadian shareholders are entitled to deduct a depletion allowance of 15% from the dividend for the fourth quarter of 1968 paid February 1, 1969, and a depletion allowance of 10% from the dividends declared for the year 1969 and paid May 1, August 1, November 1, 1969 and February 2, 1970.

FINANCIAL

Capital expenditures for plants and mining properties amounted to $33,344,326 in 1969, compared with $33,498,324 in 1968. The expenditures were lower than anticipated, reflecting not only construction delays arising out of strike conditions, but also the need for re-examination of expansion plans in the light of changing economic conditions and soaring construction costs. At the end of the year, the amount unspent on approved capital projects was approximately $128,000,000, a much greater commitment than at the end of 1968 when the corresponding estimate was $32,000,000.

Working capital at December 31, 1969 amounted to $176,509,927, approximately the same as at the end of 1968. Dividend payments almost absorbed the reduced net profit, and capital expenditures, together with long-term debt repayments, more than offset the provision made for depreciation. The Company's cash and short-term investments declined from $61,347,294 to $45,187,118. Inventories, at $136,770,908, were greater than at the end of the prior year due to the accumulation of raw material stocks during the strike period. The ratio of current assets to current liabilities was 2.9 to 1, compared with 2.8 to 1 at the end of 1968.

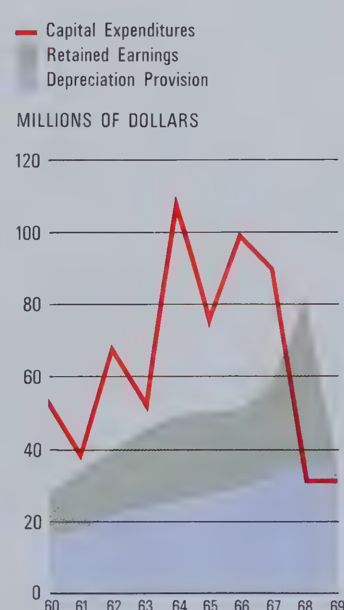
Investments in associated companies at December 31, 1969, amounted, at cost, to $21,108,407 compared with $20,647,391 at December 31, 1968. The increase mainly represented advances to support expanded operations.

HEAD OFFICE

Following approval of the necessary By-Law at the Annual and Special General Meeting of Shareholders in April 1969, the Head Office of the Company was moved from Hamilton to Toronto. The new office, housing senior officials and a minimum of corporate staff functions, is conveniently and centrally located in the Royal Trust Tower in the Toronto-Dominion Centre. Other general office functions, which for the present remain at Stelco's main office in Hamilton, are expected to be moved to a new office building to be erected in downtown Hamilton by First Wentworth Limited. It is anticipated that the building will be ready for occupancy in 1972.

PLANTS

Although, as previously indicated, progress on new facilities projects was delayed, construction activity on a planned scale had been resumed before the end of the year. At Hilton Works, work began on the new three-furnace basic oxygen steelmaking shop and the new bloom and billet mill authorized early in the year. The basic oxygen facility will replace the older of the open hearth shops and will raise steelmaking capacity at the Works from the present 4,750,000 tons a year to 6,000,000 tons a year. The bloom and billet mill is required to meet an expanding market for rods and bars and, at the same time, to permit a greater proportion



Capital Expenditures, Depreciation and Retained Earnings, 1960 — 1969

of the capacity of the existing two mills of this type to be used for the production of steel slabs for flat rolled products. These major projects are scheduled to be completed early in 1972.

Other equipment changes and additions in progress at Hilton Works included:

- a new ingot stripper building and crane required for increased steel production, now completed.
- expansion of shipping and handling facilities for flat rolled products to maintain competitive customer service as volume increases.
- a third side trim and recoil line for electrolytic tin plate to accommodate product changes and provide more capacity.
- additional service and utility facilities, including a large new sanitary sewer system to improve control over water quality.

At Page-Hersey Works in Welland, a new tube mill was brought into operation to meet the growing demand for light gauge electric-weld tubing. Other projects in hand at the fabricating plants included:

- at Camrose Works in Alberta, mill modifications and additional handling facilities to increase the size range of large diameter pipe.
- at Frost Works, a new department for the fabrication of prepainted residential steel siding and equipment to apply vinyl coatings to steel wire for fence.
- at McMaster Works in Quebec, improvements to increase the capacity of the bar mill.

Other equipment installations to meet additional production requirements for certain types of wire and fastener products are being made at Parkdale and Brantford Works.

LAKE ERIE DEVELOPMENT

During 1969, extensive preliminary engineering studies were carried out in preparation for the orderly development of a new fully-integrated steel plant on the property acquired near Nanticoke on Lake Erie. It is contemplated that the first phase of this development will be the construction of an 80″ wide hot strip mill and consideration was being given to making a start on this mill early in 1970. However, because of the very heavy capital commitment required, it has been decided to postpone the project until uncertainties in the current economic picture are clarified. Among the chief factors which led to this decision are the high cost of borrowing money, rising costs of labour and construction and the potential effect on the future of the industry of the proposals in the Government's White Paper on Tax Reform.

The timing of the Lake Erie project will be reviewed again toward the end of 1970. In the meantime, engineering will proceed and studies will continue on the layout and servicing of the plant site and the establishment of an Industrial Park.

RAW MATERIALS

Difficulties encountered in 1969 restricted output at a number of the raw material properties in which your Company owns an interest.

At the iron ore properties, new labour agreements for the Hilton Mines and Griffith Mine employees were negotiated without work stoppages, but a strike closed down the pellet plant at Pointe Noire, Quebec, for more than four months. Since the output of the Scully Mine is processed at Pointe Noire it was necessary to cease operations at the mine and lay off the work force there. After negotiation and ratification of a new labour agreement at Pointe Noire, employees of the Scully Mine were called back to work and a new labour agreement covering the mining operations was signed. The two contracts will be in effect until March 1, 1972.

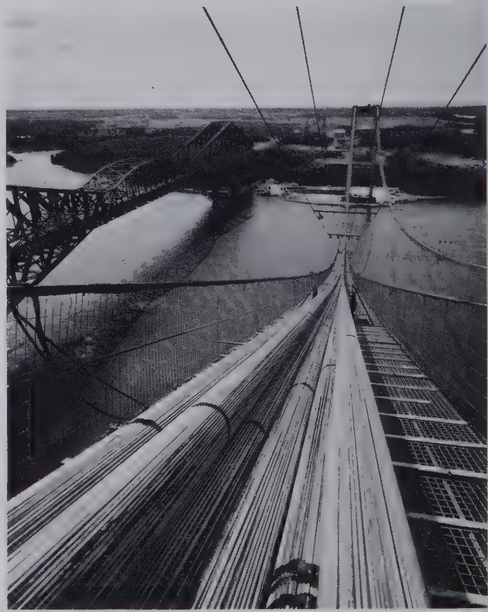
At the Griffith Mine a number of operating and technical problems limited output and prevented the attainment of commercial production levels as expected. Changes have since been made in the grinding and agglomerating equipment which have resulted in improved quality and higher pellet production.

Labour contracts at the coal mines were not due for renewal in 1969, but there was considerable labour unrest arising out of safety and welfare issues and numerous short work stoppages occurred to interfere with production. In particular, low sulphur coal was in short supply due to a combination of restricted output and increased demands for export and electric power generation.

Although many problems were encountered, sufficient ore and coal was received at Hilton Works to ensure continued steelmaking operations throughout the winter months.

During the year, an undeveloped coal property in Pennsylvania in which Stelco owns a one-third interest was leased to an adjoining operating mine. The sulphur content of

In a design that will be adaptable to changes in medical treatment, teaching and research, hollow structural sections and other Stelco products are being used for McMaster University's new Health Sciences Centre in Hamilton.



Stelco galvanized wire forms the structural muscle of the new suspension bridge at Quebec City.

the coal is higher than desirable for the Company's operations and it was not economical to maintain the property as an inactive reserve. Royalties will be received as coal from the property is mined.

Exploration and investigation for new sources of coal and iron ore are being carried out in Canada and the United States to ensure that adequate supplies of these essential materials will be available for the expanding needs of the Company.

To provide the greatly increased quantities of limestone that will be required when the new basic oxygen furnaces being built at Hilton Works are in operation in 1972, an added lime burning kiln and processing equipment are being constructed at the Company's Chemical Lime Works at Ingersoll, Ontario.

AIR AND WATER QUALITY CONTROL

In December, your Directors approved the expenditure of $4,000,000 on two major installations to improve water quality control at Hilton Works. The first of these will complete a three-stage program started in 1965 to eliminate the discharge of waste acid into Hamilton Harbour from the Company's continuous pickling operations. The second will provide additional equipment for the cooling of coke oven gas.

These projects bring to $23,000,000 the expenditures authorized in the last ten years on air and water quality control equipment. Simultaneously with the new approvals, the Company also announced publicly that it was prepared to do everything reasonably possible to abate air and water pollution at Hilton Works over the next few years. This undertaking — the first of its kind by a major Canadian industrial company — is a commitment in principle to programs and timetables formulated by the Ontario Government and assures the Ontario Water Resources Commission and Air Management Branch of Stelco's full cooperation in the attainment of their goals.

Further large capital expenditures will be necessary under the program. Since such expenditures do nothing to improve earnings, it is to be hoped that governments will give appropriate recognition to the financial burdens involved and provide for some measure of tax relief in respect of anti-pollution outlays.

RESEARCH AND DEVELOPMENT

The Company is deriving increasing benefit from studies and experiments conducted at the Research Centre which was opened in Burlington, Ontario, in 1967. A number of process improvements developed there have already been introduced in several plants, providing improved product quality and better material utilization. Many other promising developments are under investigation, particularly in various aspects of steelmaking technology and in the application of coatings, including plastic materials, to steel sheets and wire. A multi-purpose processing line being installed in the pilot plant section of the Centre will be of valuable assistance in this work as well as in the development of other new products and manufacturing techniques.

Allied to the research activity, a committee has been established which combines research, engineering, production and marketing experience to examine all new product ideas. The committee co-ordinates a searching investigation and the systematic development of those proposals which appear to offer the opportunity for profitable growth. Many diverse product applications, ranging from electronic components to the utilization of steelmaking by-products, are under active study.

AWARDS

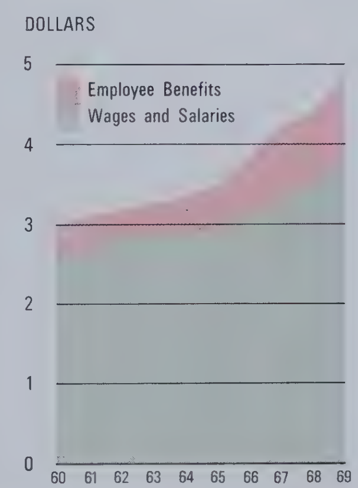
In 1969, Mr. H. M. Griffith, President of the Company, was awarded a Medal for the Advancement of Research by the American Society for Metals in recognition of his services, over many years, in advancing substantially the arts and sciences relating to metals by consistently sponsoring metallurgical research and development. Also, Mr. J. G. Sibakin, the Company's manager of research and development, was granted the Noranda Award by the Canadian Institute of Mining and Metallurgy for excellence in industrial developments in metallurgy.

Since the Order, Companion of Canada, was created, two of the Company's Directors, Dr. Henry G. Thode, Ph.D., F.R.S., and the Hon. Ernest C. Manning, P.C., have had this high distinction conferred upon them by His Excellency, the Governor General, in recognition of outstanding merit and distinguished service to Canada.

MARKETING

As part of its marketing program in 1969 the Company introduced specialized services designed to extend the use of Stelco products in the construction and housing industries.

Employment Costs, Selling Prices and Consumer Price Index, Percentage Increases, 1960 — 1969



Employment Cost per Hour Worked, 1960 — 1969

EMPLOYMENT COSTS — 1969

WAGES AND SALARIES	
For time worked	$144,849,198
For vacation and statutory holidays not worked	10,797,749
	$155,646,947
SUPPLEMENTARY EMPLOYEE BENEFITS	
Pension costs	$ 11,074,636
Group insurance plans and other benefits	6,802,004
Unemployment insurance and workmen's compensation	2,699,171
	$ 20,575,811
TOTAL EMPLOYMENT COSTS	$176,222,758

Sales engineering, metallurgical, field and product sales personnel were organized to provide comprehensive technical advice and maximum service to the owners, consultants, contractors and fabricators engaged in major construction projects across Canada. As a result, successful participation was achieved in many such projects, including Canada's largest suspension bridge at Quebec City. Some 12,000 tons of Stelco steel, including 17,000 miles of galvanized wire, will form part of the 3,414-foot bridge. In Metro Toronto, the Company's hollow structural sections and galvanized sheets are being used in schools built to a new modular design.

Stelco plate, pipe, and hollow structural sections are also being used effectively in the construction of a new deep water tanker terminal at Point Tupper, Cape Breton, and large tonnages of steel are being supplied for the McMaster Health Sciences Centre under construction in Hamilton, Ontario. This university project is one of the first to conform with a construction principle, first enunciated in Stelco's architectural publication "Trend", which distinguishes between the purpose of a building and its structural characteristics.

Increased use of the Company's products in housing applications testify to the success of technical and promotional efforts the Company has made in this field. In many parts of the country, builders are now using steel products, including studs and door frames, which have previously been used only in commercial and industrial construction. The advantages of these products have been made known through publications such as Stelco's "Steel in Homes". In 1970 the Company will begin marketing steel siding for homes, and other new products, such as steel joists, offer further possibilities in the housing market.

In a move to become more closely associated with the agricultural industry, the Company, in 1969, sponsored the first of a series of agricultural seminars known as the "Canadian Farm Forum". The forum is designed to create a dialogue between the farmer and those who design and manufacture his equipment, those who study his problems and those who influence his future. Audience reaction was enthusiastic and the new medium affords an excellent opportunity to keep abreast of opportunities for the use of steel in agriculture. The Canadian Farm Forum will be held in many farming centres in the coming year.

CORPORATE IDENTITY

For some time the Company has recognized the desirability of projecting an appropriate visual image to its customers, shareholders and employees, as well as to the financial community and the public at large. Accordingly, a study for this purpose was undertaken in 1969 with the assistance of consultants. The study resulted in a decision to make certain changes in the visual expression of Stelco which will be in keeping with the true identity and vitality of the Company as it exists today. These changes begin with a new corporate logo or trademark as represented on the cover of this Report, and extend through the colours of Company buildings to vehicles, signs, stationery and forms, and the packaging of consumer products.

The Company's new identification program is intended to create:

- a better understanding of the essentially dynamic, progressive and vital nature of Stelco
- reinforcement of Stelco's marketing policy to show steel as a modern, versatile product that contributes much to the quality, design and colourfulness of today's world
- economies to the Company in the preparation and use of signs, stencils, stationery and forms, and other printed materials.

CORPORATE PLANNING

To co-ordinate the Company's overall planning for the future, a new department has been created under a Vice-President, Corporate Planning who will concentrate on long-range Company objectives and programs, including analyses of growth and diversification opportunities. New ways will be sought for using the Company's extensive resources to achieve a steady improvement in earnings and return to shareholders.

TAXATION

The publication late in 1969 of a White Paper setting forth the Federal Government's "Proposals for Tax Reform" has created considerable uncertainty regarding their effects on the Company and on the steel industry. Several of the proposals could have a serious impact on the future expansion plans of the Company and on the growth of the economy generally. For example, the suggested changes in taxation of the mining industry would certainly make the future development of new iron ore mining properties in this country less attractive. The Company believes that the economic effects of this phase of the White Paper proposals will be more extensive than is generally realized. The steel industry, already under pressure in the areas of selling prices and employment costs, is vitally concerned with any tax changes which further restrict earnings and make the attainment of a reasonable return on investment much more difficult.

The Government has also announced that it intends to review the depreciation system provided by the present tax law. For twenty years this system has proved to be a powerful incentive for expansion in the steel industry. The Company believes that the same can be said for other capital intensive industries, and hopes that a system of capital cost allowances that has contributed importantly to the growth and strength of the Canadian economy will not be changed.

The Company is currently studying the implications of the White Paper on the Canadian steel industry and intends to submit a brief recommending alternatives to the Government's initial proposals.

EMPLOYEES

The generally satisfactory relationship that has existed between the Company and its employees was marred in 1969 by the prolonged strike previously described.

After four months of negotiations, the Company, prior to the expiry date of the basic agreement with its Hilton Works employees, made the highest offer in the history of its bargaining relationship with the union in an attempt to resolve the dispute. Through the efforts of a Conciliation Board under the chairmanship of H. Carl Goldenberg, Q.C., an agreement was signed with the Union Negotiating Committee, but was rejected by the striking membership early in August.

Negotiations were resumed with the various negotiating committees in October, and agreements for a period of three years ending July 31, 1972, were executed and subsequently ratified by the membership. All plants that had been shut down were brought into operation with a minimum of delay.

The cost of the settlement over the life of the agreement is estimated at $1.275 per employee hour worked. Average hourly employment costs before the strike, including wages and benefits, amounted to $4.278. During the three-year life of the new agreement, these employment costs will rise to $5.553. The settlement that brought the strike to an end reflects an additional 4.5¢ per hour over the offer made at the end of July.

Rates of pay for salaried employees were also increased during the year to maintain equitable relationships with appropriate pay levels in industry and in the communities where the Company operates.

The introduction of a medicare plan in Ontario resulted in changes in the administrative structure of the Group Insurance Program for employees in that province. Integration of the Company's Group Insurance Program with the government plan and an extension of the coverage provided by the private plan, especially in the field of weekly indemnity benefits and life insurance, was effected without an increase in premiums paid by bargaining unit employees.

Company payments into employee pension trust funds and contributions to the Canada and Quebec Pension Plans during the year amounted to $11,074,636. Payments amounting to $4,599,853 were made from these funds to 2,182 retired employees, including 183 who retired during the year.

The Company has intensified the training, development and placement of people in all levels of supervision. It is anticipated that the demands upon supervision in the nineteen seventies will exceed anything previously known. Despite the sophistication of techniques, the use of electronics and the introduction of devices of ever-increasing complexity, men must be developed in parallel with the products of their ingenuity if the Company is to maintain its predominance in the Canadian steel industry.

The Employees' Suggestion Plan continued to operate successfully during the year. Since the Plan was first established in 1959, there have been 40,450 suggestions from hourly-rated employees proposing cost reductions and method improvements. Awards paid out have totalled $518,796, and have included several maximum awards of $5,000.

The economic aftereffects of the strike will be felt for some time, but it is hoped that the spirit of cooperation and teamwork that characterized the relationship between the Company and its employees will soon be re-established.

Total employment costs for the year, as shown in the accompanying table, amounted to $176,222,758 and were $10,725,515 less than in 1968. The difference is attributable to time lost during the strike.

ORGANIZATION

At a Board Meeting in December, Mr. J. P. Gordon was elected Senior Vice-President and Mr. G. H. G. Layt was elected Vice-President, Operating, succeeding Mr. Gordon. Effective January 1, 1970, Mr. J. D. Allan was appointed Vice-President, Corporate Planning. These changes provide additional senior management coverage for the expanding interests of the Company.

SHAREHOLDERS

The number of Stelco shareholders at December 31, 1969 was 51,730 compared with 52,520 at the end of 1968. Residents of Canada held approximately 95% of the shares outstanding, and the average individual holding was 470 shares.

* * *

The Board expresses its appreciation to the management and employees for their efforts on behalf of the Company in a trying year. The difficulties arising out of strike conditions were kept to a minimum by the excellent performance of supervisory and staff personnel in unusual circumstances.

The loyal support of shareholders, customers and suppliers is also gratefully acknowledged.

Submitted on behalf of the Board of Directors.

H. M. Griffith,
President and
Chief Executive Officer.

V. W. Scully,
Chairman of the Board.

Toronto, Canada
February 16, 1970

stelco

THE STEEL COMPANY OF CANADA, LIMITED and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year 1969	Year 1968
Revenue		
Net sales	**$528,036,448**	$589,612,742
Income from short-term investments	**3,448,308**	2,097,680
	531,484,756	591,710,422
Expense		
Cost of sales, exclusive of the following items	**439,112,447**	445,972,895
Provision for depreciation (Note 5)	**33,415,417**	37,110,642
Interest on long-term debt	**3,034,231**	3,200,961
Provision for income taxes — current (Note 6)	**23,269,993**	38,671,693
— deferred	**1,583,000**	(1,217,000)
	500,415,088	523,739,191
Net Profit for the Year	**31,069,668**	67,971,231
(Per share: 1969 — $1.28, 1968 — $2.79)		
Retained Earnings at beginning of year	**374,486,059**	330,844,125
	405,555,727	398,815,356
Deduct		
Dividends declared (Per share: 1969 — $1.20, 1968 — $1.00)	**29,201,217**	24,329,297
Retained Earnings at end of year	**$376,354,510**	$374,486,059

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	December 31 1969	December 31 1968
Current Assets		
Cash	**$ 5,536,237**	$ 3,813,482
Short-term investments, at cost (approximates market value)	**39,650,881**	57,533,812
Accounts receivable	**83,955,778**	85,040,160
Special refundable tax	**307,232**	2,393,639
Inventories (Note 7)	**136,770,908**	126,327,607
Prepaid expenses	**1,973,534**	961,314
	268,194,570	276,070,014
Less		
Current Liabilities		
Accounts payable and accrued	**59,023,448**	54,056,067
Provision for income and other taxes	**24,586,591**	38,904,364
Dividend payable	**7,300,604**	7,299,104
Current portion of long-term debt	**774,000**	—
	91,684,643	100,259,535
Working Capital	**176,509,927**	175,810,479
Investments in Associated Companies, at cost (Note 8)	**21,108,407**	20,647,391
Fixed Assets, less depreciation (Note 9)	**514,456,503**	515,330,766
Total Investment	**712,074,837**	711,788,636
Less		
Long-term Debt (Note 10)	**54,217,000**	57,476,000
Provision for Deferred Income Taxes	**150,102,000**	148,519,000
Shareholders' Equity	**$507,755,837**	$505,793,636
Derived from:		
Common Shares — no par value (Note 11)		
Authorized — 35,000,000 shares (1968 — 28,000,000 shares)		
Issued — 24,335,347 shares (1968 — 24,330,347 shares)	**$131,401,327**	$131,307,577
Retained Earnings in use in the business	**376,354,510**	374,486,059
Total Shareholders' Equity	**$507,755,837**	$505,793,636

Signed on behalf of the Board: V. W. SCULLY, Director H. M. GRIFFITH, Director

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THE STEEL COMPANY OF CANADA, LIMITED and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, DECEMBER 31, 1969

1. It is estimated that $128,000,000 will be required to complete approved capital programs.

2. The Company, as a shareholder of Erie Mining Company, is entitled to 10% of Erie's production of iron ore pellets, for which it is committed to pay 10% of Erie's costs, including a minimum annual charge of $2,000,000 for depreciation to cover the repayment of 10% of Erie's long-term debt.

3. Pension costs charged against income in the year include payments made to trust funds, under the Companies' pension plans, for current and past service requirements as determined by an independent actuary. Past service costs are being funded over periods not exceeding 25 years. The total unfunded past service liability at December 31, 1969 is estimated at approximately $66,000,000.

4. Accounts originating in foreign currencies have been converted generally at current rates of exchange except for plant and property values which have been converted at rates in effect at the date of acquisition.

5. Depreciation has been provided at rates averaging approximately 5% of the cost of depreciable assets.

6. The three-year tax exempt period for The Scully Mine terminated on March 31, 1969. A commencement date for the exempt period for The Griffith Mine, not yet determined by the Department of National Revenue, has been assumed for statement purposes. To give effect to these exemptions, the provision for income taxes in 1969 was reduced by approximately $2,000,000.

7. *Inventories*

	1969	1968
Raw materials and supplies	**$ 60,924,048**	$ 52,038,060
Finished and semi-finished products	**75,846,860**	74,289,547
	$136,770,908	$126,327,607

Inventories are valued at the lowest of cost, replacement cost and net realizable value. In determining cost, the Company follows the last-in, first-out method for the major portion of the inventories, the balance being determined at average cost.

8. The cost of investments in associated companies amounted to $21,108,407 at December 31, 1969, at which date the net equity value of the investments, as recorded in the accounts of the associated companies, was $24,838,964.

9. *Fixed Assets*

	1969	1968
Raw material properties, at cost	**$147,425,371**	$145,370,095
Manufacturing plants and properties, at cost	**848,189,013**	819,573,759
	995,614,384	964,943,854
Less accumulated depreciation	**481,157,881**	449,613,088
	$514,456,503	$515,330,766

10. *Long-term Debt* (less current portion)

	1969	1968
5½% Sinking fund debentures due May 1, 1990 (Annual sinking fund requirement $1,250,000 commencing May 1, 1970)	**$ 48,144,000**	$ 50,000,000
4¼% Sinking fund debentures due April 1, 1971 (Sinking fund requirement fulfilled to maturity)	**1,586,000**	1,879,000
5½% Sinking fund debentures due April 1, 1983 (Annual sinking fund requirement $350,000 — 1970 through 1974; $400,000 — 1975 through 1982: fulfilled to April 1, 1975)	**4,487,000**	5,597,000
	$ 54,217,000	$ 57,476,000

11. In accordance with a Stock Option Policy adopted in 1965, 273,500 common shares are reserved for stock options. At December 31, 1969, options were outstanding in respect of 170,200 shares at prices ranging from $18.75 to $25.50 per share, including 97,700 shares under option to officers, the options expiring on various dates between December 1975 and February 1978. During the year, 5,000 shares were issued for an aggregate cash consideration of $93,750.

12. For the year ended December 31, 1969, the total remuneration received from the Company and its subsidiaries by directors and senior officers was $1,170,587 including $322,855 received by directors as directors or officers.

CONSOLIDATED STATEMENT OF CHANGES IN WORKING CAPITAL

	Year 1969	Year 1968
Additions to Working Capital		
From operations:		
Net profit for the year	**$ 31,069,668**	$ 67,971,231
Non-cash charges for		
depreciation	**33,415,417**	37,110,642
deferred income taxes	**1,583,000**	(1,217,000)
	66,068,085	103,864,873
Proceeds from issue of capital stock	**93,750**	3,208,691
Special refundable tax	**—**	4,079,460
Sundry items (net)	**342,156**	624,489
Total Additions	**66,503,991**	111,777,513
Deductions from Working Capital		
Expenditures for fixed assets	**32,883,310**	33,248,526
Investments in associated companies (net)	**461,016**	249,798
Reduction of long-term debt	**3,259,000**	2,000,000
Dividends declared	**29,201,217**	24,329,297
Total Deductions	**65,804,543**	59,827,621
Increase in Working Capital	**699,448**	51,949,892
Working Capital at beginning of year	**175,810,479**	123,860,587
Working Capital at end of year	**$176,509,927**	$175,810,479

AUDITORS' REPORT

To The Shareholders
The Steel Company of Canada, Limited

We have examined the consolidated statement of financial position of The Steel Company of Canada, Limited and its subsidiary companies at December 31, 1969 and the consolidated statements of income and retained earnings and changes in working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies at December 31, 1969 and the results of their operations and the changes in their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 12, 1970

RIDDELL, STEAD & CO.
Chartered Accountants

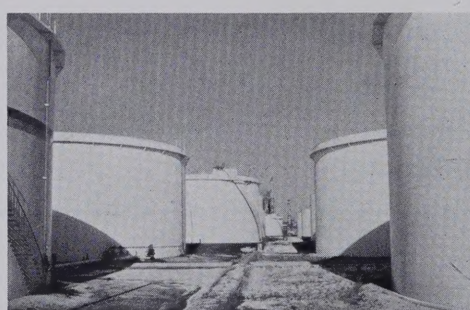
stelco TEN YEAR STATISTICAL SUMMARY

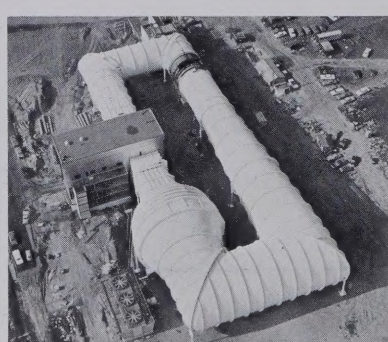
Dollars in thousands except as indicated*

	1969 (1)	1968	1967
OPERATIONS (thousands of net tons)			
Raw steel produced	**3,670**	4,485	3,966
Steel processed (2)	**4,076**	4,591	4,087
INCOME AND RELATED DATA			
Sales	**$528,036**	589,613	512,386
Depreciation	**$ 33,415**	37,111	33,058
Income Taxes	**$ 24,853**	37,455	24,357
Net profit	**$ 31,070**	67,971	46,733
Per share (3)*	**$ 1.28**	2.79	1.94
Per cent of sales	**5.9%**	11.5%	9.1
Per cent of shareholders' equity	**6.1%**	14.1%	10.5
Dividends (including extra distributions)	**$ 29,201**	24,329	20,518
Per share (3)*	**$ 1.20**	1.00	.85
CAPITAL EXPENDITURES	**$ 33,344**	33,498	89,212
FINANCIAL POSITION, YEAR END			
Working capital	**$176,510**	175,810	123,861
Fixed assets — net	**$514,457**	515,331	519,817
Shareholders' equity	**$507,756**	505,794	458,943
EMPLOYMENT			
Average number of employees	**21,792**	21,584	20,556
Total employment costs	**$176,223**	186,948	169,219
Employees' average weekly earnings*	**$ 156.38**	146.52	138.65
NUMBER OF SHAREHOLDERS, YEAR END	**51,730**	52,520	53,340

(1) *1969 operations interrupted by strike — 80 days.*
(2) *Includes steel purchased and steel received from customers for conversion.*
(3) *Adjusted for subdivision of shares in 1962.*

1966	1965	1964	1963	1962	1961	1960
3,794	3,846	3,479	3,110	2,779	2,445	2,152
4,086	4,137	3,884	3,122	2,768	2,428	2,336
504,763	516,406	477,823	370,989	332,205	288,356	281,967
29,500	27,594	26,003	24,081	22,631	18,922	17,433
33,051	38,808	33,791	31,680	26,350	22,287	17,278
42,744	43,454	43,630	37,095	30,299	27,378	21,356
1.77	1.80	1.91	1.82	1.50	1.43	1.23
8.5	8.4	9.1	10.0	9.1	9.5	7.6
10.1	10.9	12.0	11.8	10.2	10.3	9.1
20,518	20,518	19,752	15,723	12,653	11,712	10,412
.85	.85	.85	.77½	.62½	.60	.60
99,542	75,540	109,306	52,236	67,036	38,754	53,290
138,560	180,355	122,695	125,348	118,681	134,895	95,139
464,313	396,291	350,863	234,035	206,530	165,759	147,652
432,728	410,503	388,578	326,437	302,721	290,256	240,141
20,360	20,262	18,584	16,599	15,692	14,432	14,600
151,708	143,179	123,864	107,386	98,464	87,942	84,690
130.98	125.13	121.33	117.00	114.71	111.47	105.57
53,017	46,597	40,973	30,297	25,746	18,259	15,734





stelco
PRINCIPAL PRODUCTS

PLATE
Up to 140″ in width.

HOT ROLLED AND COLD ROLLED SHEET
Coils, cut lengths and strip.

CONTINUOUS GALVANIZED SHEET
Coils, cut lengths, slit; regular, wiped and culvert coatings.

PREFINISHED SHEET — "STELCOLOUR"
Coils, cut lengths, slit; colours, textures.

ELECTROLYTIC TIN PLATE AND TIN MILL BLACK PLATE
Sheets and coils.

HOT ROLLED AND COLD FINISHED BARS
Alloy, carbon, leaded; in standard and special sections.

CONSTRUCTION MATERIALS
Reinforcing bars, welded wire fabric, prestressed concrete wire and strand.

WIRE RODS

FASTENERS AND FORGINGS
Bolt and screw products, standard and special, track fasteners and pole line hardware. Standard and custom forgings in light and medium weights.

PIPE AND TUBING
Continuousweld steel pipe, electric-resistance welded steel pipe, submerged arc welded steel pipe, electricweld mechanical and pressure steel tubing, hot and cold formed hollow structural sections, oil country tubular products, piling pipe, waterworks pipe, hot finished or cold drawn seamless steel pipe and tubing, nipples and couplings.

MANUFACTURERS' WIRE
Wire and strand, in a full range of sizes, grades, finishes, coil weights and cut lengths.

MERCHANT WIRE PRODUCTS
Nails, fencing and barbed wire.

FENCE
Industrial, institutional and residential.

SPECIAL PRODUCTS
Grinding balls, grinding rods, sucker rods and grader blades.

CHEMICALS, ETC.
Coal tar, ammonium sulphate, lime and limestone.

OFFICES AND PLANTS

HEAD OFFICE
P.O. Box 205, Toronto-Dominion Centre,
Toronto 111, Ontario

GENERAL OFFICES
Hamilton, Ontario
Montreal, Quebec

SALES OFFICES
Hamilton, Ontario
Montreal, Quebec
Calgary, Alberta
Edmonton, Alberta
Halifax, Nova Scotia
Quebec, Quebec
Regina, Saskatchewan
Saint John, New Brunswick
St. John's, Newfoundland
Toronto, Ontario
Vancouver, British Columbia
Windsor, Ontario
Winnipeg, Manitoba

PLANTS

ONTARIO	
Hamilton	— Hilton Works — Ontario Works — Canada Works — Parkdale Works — Frost Works — Canadian Drawn Works
Brantford	— Brantford Works
Toronto	— Swansea Works
Gananoque	— Gananoque Works
Welland	— Page-Hersey Works — Welland Tube Works
QUEBEC	
Montreal	— Notre Dame Works — St. Henry Works
Lachine	— Dominion Works
Contrecoeur	— McMaster Works
SASKATCHEWAN	
Regina	— Saskatchewan Steel Fabricators Ltd.
ALBERTA	
Edmonton	— Premier Works
Camrose	— Camrose Works

SUBSIDIARIES, RAW MATERIAL PROPERTIES AND ASSOCIATED COMPANIES

SUBSIDIARY COMPANIES
WHOLLY OWNED
(Consolidated in Financial Statements)

Saskatchewan Steel Fabricators Ltd., Regina, Sask.
Frost Steel and Wire Company, Limited, Hamilton, Ont.
Frost Steel and Wire Company Quebec, Limited, Montreal, Que.
Stelco Coal Company, Pittsburgh, Pa.
Pikeville Coal Co., Louisville, Ky.
Stelco Nederland N.V., Amsterdam, The Netherlands
Stelco S.A., Geneva, Switzerland
The Steel Company of Canada (U.K.), Limited, London, England

RAW MATERIAL PROPERTIES
(Ownership interest consolidated in Financial Statements)

	% Owned
The Hilton Mines, Que. (Iron ore)	50.0
Wabush Mines, Nfld. and Que. (Iron ore)	25.6
The Griffith Mine, Ont. (Iron ore)	100.0
Chisholm Mine, Ky. (Coal)	100.0
Chemical Lime Works, Ont. (Limestone)	100.0

ASSOCIATED COMPANIES
(Included in Investments in Associated Companies in Financial Statements)

	% Owned
Baycoat Limited, Ont.	50.0
Arnaud Railway Company, Que.	25.6
Knoll Lake Minerals Limited, Nfld.	14.8
Wabush Lake Railway Company, Limited, Nfld.	25.6
Northern Airport Limited, Nfld.	12.8
Northern Land Company Limited, Nfld.	12.8
Twin Falls Power Corporation, Limited, Nfld.	4.4
The Balkan Mining Company, Minn.	33.3
Erie Mining Company, Minn.	10.0
Ontario Iron Company, Minn.	10.0
Mathies Coal Company, Pa.	13.3
Olga Coal Company, W. Va.	10.0